FISCAL NOTE

Bill #:	HB0247	**Title:**	Revise Unemployment Laws for Certain School Employees
Primary Sponsor:	Dan Harrington	**Status:**	Introduced

Sponsor signature Date

Dave Lewis, Budget Director Date

Fiscal Summary

	FY2000 **Difference**	FY2001 **Difference**
Expenditures:		
Other: (Unemployment Trust Fund, reimbursed by employers)	$2,252,000	$2,337,500
Revenue:		
Other: (Unemployment Trust Fund, reimbursed by employers)	$1,126,000	$1,168,750
Net Impact on General Fund Balance:	$0	$0

Yes	**No**		**Yes**	**No**	
X		Significant Local Gov. Impact		X	Technical Concerns
	X	Included in the Executive Budget	X		Significant Long- Term Impacts

Fiscal Analysis

1. From July 1, 1982 through June 30, 1985, similar legislation existed. The average annual benefit charges for government entities for the three-year period (SFY 1983 through SFY 1985) were $4,600,000. During this period qualification provisions allowing payments to noncertified school employees were as proposed in HB0247.
2. In 1985, legislation was enacted which disallowed the possibility of benefits for noncertified school employees. The average annual benefit charges for government entities for a three year period following the change (SFY 1986 through SFY 1988) were equal to $2,900,000 due to this reduction in benefits, or a 37% reduction in charges. More recent years are not used for comparison because benefit charges have changed for other economic reasons.
3. The difference of $1,700,000 in average annual benefit charges to governmental entities between the three year periods is attributed in whole to the denial of benefits to non-certified school employees between

academic terms and during vacations or holidays. No other economic or law changes can be attributed to the drop in benefit charges to governmental entities during this time period.

4. The average weekly benefit amount for noncertified school employees in SFY85 was approximately $95. Using salary and average hours worked per week, a current average weekly benefit amount for all non-certified school employees is $125, (31.5% increase) in SFY 2000 and $129 (36% increase) in SFY 2001. (Source: Montana Department of Labor and Industry, Job Service Division, Research and Analysis Bureau, BLS Occupational Employment Statistics Program).
5. Using the change in average weekly benefit amount as an inflation factor, the $1,700,000 difference from item 3 would result in a projected $2,235,000 additional benefit charge in SFY 2000 and $2,312,000 additional benefit charges in SFY 2001.
6. During calendar year 1996 benefit charges to government rated entities, including schools, was $3,717,000. During fiscal year 1998, benefit charges to government rated entities were $2,237,742. This is a 40% drop in benefit charges to governmental entities from 1996.
7. For first quarter calendar year 1997, total wages reported for taxes from reimbursable rated schools was $66,942,169. First quarter calendar year 1998 reimbursable rated school employers reported $92,822,715, for an increase of $25,880,546, or 39%.
8. Since July 1, 1994, 150 school districts have switched from governmental employer to reimbursable employer status. These schools reimburse benefit payments dollar for dollar.
9. We estimate over half of all wages and benefit charges would come through the reimbursable school employers under the current law. Less than half of all school employees are now covered under the governmental entity rating system.
10. Potential annual impact for increased benefit charges to all government entities (schools, counties, and state) in the governmental employer pool is projected to be $1,126,000 for SFY 2000 and $1,168,750 in SFY 2001. Benefit charges to government entities will be paid from the Unemployment Insurance Trust Fund.
11. Reimbursable schools will experience an estimated increase of $1,126,000 in benefit charges for SFY 2000 and $1,168,750 in SFY 2001. Reimbursable school charges will not significantly affect the Unemployment Insurance Trust Fund. Reimbursable schools are directly charged for benefits charges. This proposal may induce reimbursable schools to switch back to the government employer rating system.

FISCAL IMPACT:

Expenditures: An increase in the number of persons found eligible for benefits would result in increased amounts paid from the Unemployment Insurance Trust Fund. There is an annual potential impact of $2,252,000 in current dollars to the Unemployment Insurance Trust Fund from increased benefit payments to noncertified school employees. Benefits paid from the UI Trust Fund are restored in one of two ways by governmental entities: 1) direct reimbursement by the covered employer of the amounts paid, or 2) through the experience rating mechanism which adjusts rate schedules to insure that an adequate balance is maintained in the Trust Fund. Therefore, $1,126,000 would be restored to the UI Trust Fund by direct reimbursement from “reimbursing” employer schools and $1,126,000 would be restored through the adjustment of rates of the “experience-rated” schools.

Revenues: It is estimated that approximately half of school employees are covered by reimbursing accounts and half are covered by governmental (experience rated) accounts. Reimbursing accounts pay into the UI Trust Fund, dollar for dollar, all amounts paid to claimants on their behalf. Therefore, there is no net impact to the UI Trust Fund as any benefits paid are restored to the Trust Fund. Any fiscal impact relative to reimbursing accounts would be on the school.

Governmental accounts are experience rated. For experience rated schools, there is a short-term impact to the UI Trust Fund, but based upon the experience, rates are adjusted to increase premiums and correct for any increase in benefits paid. Again, the fiscal impact is on the covered entity, as their UI rates would increase to the extent benefits paid out increases The experience rated system for governmental entities will experience an increase in charges and result in higher tax rates in future years. For reimbursing accounts the impact would occur soon after the benefits are paid, and for the governmental account, the impact would begin to occur one or two years following the payment of benefits resulting from this proposal.

FISCAL IMPACT:

	FY2000 Difference	FY2001 Difference
Expenditures:		
Benefits	$2,252,000	$2,337,500
Funding:		
Other (Unemployment Insurance Trust Fund)	$2,252,000	$2,337,500
Revenues:		
Other (reimbursable accounts only)	$1,126,000	$1,168,750
Net Impact to Fund Balance (Revenue minus Expenditure):		
Other (Unemployment Insurance Trust Fund)	($1,126,000)	($1,168,750)

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:
This bill may require local governments to spend additional sums for which no specific means of financing are provided. Section 1-2-114, MCA provides that bills that have such an impact may not be introduced.

Reimbursable: School districts that have chosen the reimbursable employer system will experience an increase in benefit charges. These benefit charges are reimbursed dollar for dollar by the schools.

Government employer: There will be no effect on the government employer rates in the 2001 biennium due to the lag time of the additional benefits to effect the rating structure. County and local governments, as part of the experience rating system for governmental entities, will experience increased UI tax rates in future years. The proposal will not raise rates during the 2001 biennium.

In addition to increased costs for unemployment insurance, this bill also requires the school districts to pay non-certified employees for pupil-instruction days that have been cancelled as a result of an emergency and not rescheduled.

LONG-RANGE IMPACTS:
The ratio of total benefit charges to total wages will trigger higher tax rates for the governmental employer experience rating system. State government as well as local government will be assessed the resulting higher tax rates.

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